



Budget Report

Fourth Quarter – FY11-12

Overview:

This report summarizes the City's overall financial position for the fiscal year through June 2012. Due to year-end reconciliations and pending accruals, the year-end numbers are subject to adjustment.

News and Information:

- **Pacific Cove Mobile Home Park**

In March of 2012, the City executed a \$2.39 million lease/sublease agreement to relocate residents and close the Pacific Cove Mobile Home Park. At the end of FY11/12 the City paid \$960,000 towards coach purchases, rental assistance, and relocation services. It is estimated that the complete balance of \$1.43 million will be used to close the park in FY12/13.

- **RDA Dissolution / Successor Agency**

The City is continuing to work with the Department of Finance (DOF) to receive approval on two denied Recognized Obligation payments between the City and the former RDA. The City was successful in reversing the DOF's initial denial of a \$1 million obligation with Housing Authority of Santa Cruz. These funds will be used to provide housing assistance to 64 low income mobile home park residents.

On June 15th, the Successor Agency Oversight Board approved a resolution transferring the Rispin property back to the City, and in exchange, the City forgave a \$1.35 million dollar loan to the RDA. The DOF denied this property transfer; and requested the Oversight Board reconsider their decision.

At stake for the City is the potential loss of \$1.35 million in General Fund dollars which was initially used to purchase the property, as well as title to the land. City staff are currently working with the DOF to provide additional data supporting the property transfer. In the interim, an Oversight Board meeting has been scheduled to meet August 29th to review the third Recognized Obligation Payment Schedule, and reconsider the Rispin Property transfer. To learn more about the Successor Agency's activities, visit the City's website at <http://www.ci.capitola.ca.us/capcity.nsf/CtyAdFinance.html>.

- **Emergency/Contingency Reserves**

The Contingency, General, and Emergency Reserve fund balances were initially projected to have a combined balance of \$142,000 at the end of Fiscal Year 2012. Due to \$250,000 in unanticipated revenues from the RDA closure, the combined fiscal year-end balances are estimated to be \$358,000. This balance is still \$1.35 million below the policy funding levels.

General Fund:

The amounts listed below represent preliminary final revenues and expenditures for Fiscal Year 2011/12. The year-end net difference between revenue and expenditures is a positive \$447,535. During the budget hearings, staff had anticipated closing the year with a positive fund balance of \$262,000. The \$185,000 increase is primarily due to approximately \$125,000 in salary savings and \$60,000 in projected carry-forwards of contracts.

The primary difference between the Amended and YTD transactions can be explained by \$200,000 in grant revenues and expenditures that that will not be spent in the 11/12 Fiscal Year and will be carried forward into Fiscal Year 2012/13.

General Fund	Amended Budget ⁽¹⁾	YTD Transactions ⁽²⁾	Percent
Revenues	\$12,864,529	\$12,586,004	98%
Expenditures	\$12,588,631	\$12,138,469	96%
FY12-13 Operating Balance	\$275,898	\$447,535	162%

(1) Adjusted from Third Quarter based on budget amendments and year-end estimates

(2) Sales tax adjusted for projected \$362,700 in the Fourth Quarter accruals. This does not include any positive or negative year-end true-ups by the State. An estimated \$104,000 for PERS retirement accruals was incorporated into the year-end estimate

Significant variances for revenues and expenditures are presented below:

Key Revenues:

Revenue	Amended Budget ⁽¹⁾	YTD Transactions	% Used / Rec'd
Taxes:			
Property Taxes	\$ 1,647,000	\$ 1,684,438	102%
Sales and Use Tax ⁽²⁾	4,992,075	4,975,118	100%
Document Transfer Tax	26,600	50,628	190%
Business License Tax	280,000	273,861	98%
Franchise Tax	468,200	457,619	98%
TOT Tax	875,000	913,291	104%
Total Taxes	\$ 8,288,875	\$ 8,354,955	101%
Other:			
Licenses and permits	\$ 245,200	\$ 329,549	134%
Intergovernmental revenues	536,054	251,467	47%
Charges for services	2,460,600	2,334,594	95%
Fines and forfeitures	704,000	679,958	97%
Use of money & property	279,800	286,252	102%
Other revenues	101,500	100,729	99%
Other financing sources	248,500	248,500	100%
Other Revenues	\$ 4,575,654	\$ 4,231,049	92%
Total Revenues	\$ 12,864,529	\$ 12,586,004	98%

(1) Adjusted from Third Quarter based on budget amendments and year-end estimates

(2) Sales tax adjusted for projected \$362,700 for the Fourth Quarter accruals. This does not include any State true-up year-end adjustments

Document Transfer Tax – An additional \$24,000 in Document Transfer Tax was related to the new Target retail store.

Property Tax – Property tax received was approximately \$37,000 in additional funds primarily due to supplemental assessments and variances in unsecured property estimates.

Transient Occupancy Tax (TOT) – Preliminary TOT revenues are performing better than anticipated due to the addition of a new hotel, beginning signs of economic recovery, as well as increased visitors to the Village.

Licenses and Permits – These revenues are performing better than anticipated due to licenses and permits associated with the new Target retail store.

Intergovernmental Revenues - The largest share of intergovernmental revenues reflect Federal and State grant reimbursements. Approximately \$200,000 in grant revenues, will be carried forwarded into Fiscal Year 2013.

Special Revenue Focus:

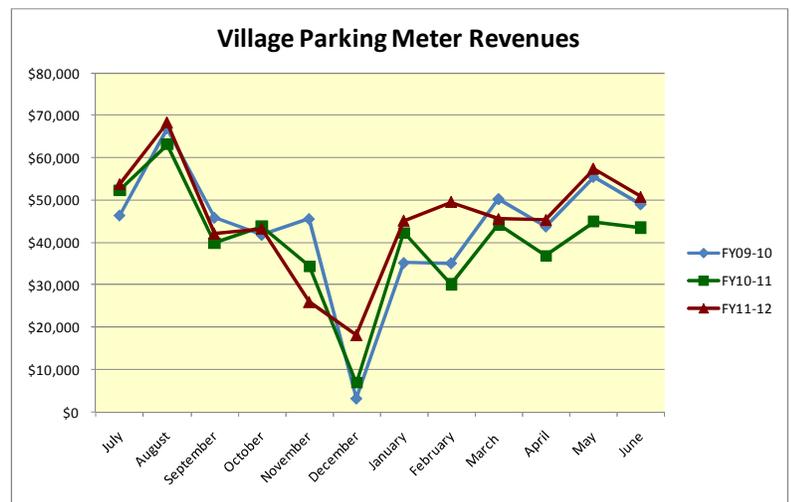
Village Parking Meters

The City is closely monitoring Village Parking Meters to determine if additional revenues will be generated from the installation of paystations. These meters were installed in November of 2011.

At the end of Fiscal Year 2012, parking meter revenues exceeded its highest year of receipts. There is still some uncertainty as to whether there is a direct correlation to the paystations or if it is due to other factors. A complete year of data in Fiscal Year 2013, is anticipated to provide additional insight into the paystation revenues, along with the related credit card acceptance fees.

A three year-trend is presented in the chart to right. The annual totals are listed below:

- FY09-10: \$517,815
- FY10-11: \$481,866
- FY11-12: \$544,810

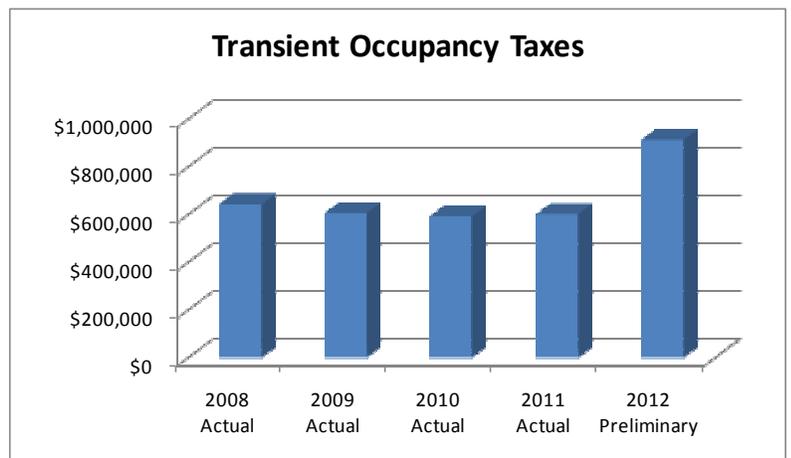


Transient Occupancy Taxes (TOT)

In FY11/12, a new hotel 84 room hotel opened in Capitola. Total TOT revenues were originally projected at \$875,000; however they exceeded this projection by \$38,000.

Capitola’s TOT taxes are based on the following sources:

- Hotels: 89%
- Other Rentals: 11%
 - Bed and Breakfasts
 - Vacation Rentals



Expenditures:

Expenditures by Category	Amended Budget	YTD Transactions	% Used/ Rec'd
Personnel ⁽¹⁾	\$7,534,745	\$7,192,412	95%
Contract Services	2,526,100	2,423,126	96%
Training & Memberships	32,832	46,163	141%
Supplies	540,754	526,592	97%
Grants and Subsidies	275,000	275,000	100%
Capital Outlay	-	-	-
Internal Service Fund Charges	846,700	846,875	100%
Other Financing Uses	832,500	828,302	99%
Fund Totals: General Fund	\$12,588,631	\$12,138,469	96%

Expenditures By Department ⁽¹⁾	Amended Budget	YTD Transactions	% Used/ Rec'd
City Council	138,059	134,860	98%
City Manager	793,100	787,937	99%
Personnel	211,275	196,720	93%
City Attorney	218,600	207,685	95%
Finance	633,650	617,959	98%
Community Grants	275,000	275,000	100%
Public Safety	5,800,627	5,480,498	94%
Public Works	2,026,120	2,022,909	100%
Community Development & Building	717,760	667,803	93%
Culture and Leisure	941,940	918,798	98%
Transfers	832,500	828,302	99%
Expenditure Totals	12,588,631	12,138,469	96%

(1) Salaries adjusted for \$104,000 in estimated PERS accruals

Salaries – In FY11/12, the City realized salary savings was due to a partial Police Officer and Finance Director vacancy; a .50 Records Clerk vacancy, and reductions in Police overtime.

Contract Savings – Approximately \$60,000 in unexpended contract funds will be carried forward into the next fiscal year. The additional \$40,000 variance is a result in savings from the Building and Recreation Departments. Due to the Recreation Department’s use of contract instructors, there should be a corresponding reduction in the Charges for Services revenues.